

Service Date: July 19, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of     )  
the City of Glendive to Increase     ) UTILITY DIVISION  
Water Rates.                             ) DOCKET NO. 81.2.6  
   ) ORDER NO. 4773a

APPEARANCES

FOR THE APPLICANT:

Jerry Navratil, City Attorney, City of Glendive, City Hall,  
Glendive, Montana 59330.

FOR THE INTERVENORS:

James C. Paine, Montana Consumer Counsel, 34 West 6th Ave-  
nue, Helena, Montana 59620.

FOR THE COMMISSION:

Calvin Simshaw, Staff Attorney, 1227 11th Avenue, Helena,  
Montana 59620.

BEFORE:

Gordon Bollinger, Chairman and Hearings Examiner

FINDINGS OF FACT

1. On February 20, 1981, the City of Glendive (Applicant or  
City) filed an application with this Commission for authority  
to increase water rates on a permanent basis by approximately  
161% equaling a revenue increase of approximately \$299,480.

2. Concurrent with the filing of the permanent application  
for increased rates, the City filed an application for an

interim increase in rates of approximately 56.5%, equaling an annual revenue increase of \$103,120, or approximately 34% of the proposed permanent increase.

3. On March 25, 1981, the Commission having considered the data filed with the Applicant's interim application, issued Order No. 4773 granting the Applicant interim rate relief in the amount of \$79,807 annually.

4. The interim revenue increase was implemented by increasing all metered and flat rates by 34.7%.

5. Subsequent to the filing of their application on February 20, 1981, the Applicant was informed that the 1981 Montana Legislature had passed a bill implementing partial deregulation of municipal utilities. The bill passed by the Legislature affected the Applicant's filing to the extent that funding for capital improvements mandated by the state or federal government were no longer under this Commission's jurisdiction and a portion of the Applicant's rate request related to funding of state or federally mandated improvements. (See Title 69, Chapter 7, MCA)

6. Due to the limitations imposed on this Commission by the 1981 Legislature, it became necessary for the Applicant to modify its proposed rate increase application before presenting to this Commission. As a result of having to modify its application, the Applicant was going to exceed the Commission's nine month statutory time limitation for taking action on a rate increase request; therefore, the City on September 15, 1981 submitted a waiver of the nine month statute.

7. On January 7, 1982, the City filed an amended rate

increase application with this Commission. The amended application proposed a permanent rate increase of, approximately 103% equaling a revenue increase of approximately \$188,500.

8. On April 7, 1982, pursuant to Notice of Public Hearing, a hearing was held in the City Council Chambers, City Hall, Glendive, Montana. The purpose of the public hearing was to consider the merits of the Applicant's proposed water rate adjustment. At the close of the hearing, all parties waived their rights to a proposed order and stipulated to authorize the Commission to issue a final order in this Docket. Section 2-4-622 (2), MCA.

9. At the public hearing, the Applicant presented the testimony and exhibits of:

Steve Quail, Consulting Engineer

Wilbur Wallace, Public Works Director

These witnesses testified relative to the increases experienced in operation and maintenance expenses, the need for funds to purchase capital items, the allocation employees' salaries and rate structure.

10. The Montana Consumer Counsel was present to represent the subscribers of the Glendive water utility; however, no public witnesses or subscribers chose to testify.

11. The Applicant proposed total expenses for the water utility in the amount of \$363,680 for fiscal year 1982. These proposed expenses were not challenged by any party participating in the hearing and are, therefore, accepted by the Commission.

12. The Applicant determined test year operating revenues to be \$182,520. The Commission rejects the Applicant's use of \$182,520 for test year operating revenues. The Applicant's

test year revenues were the actual revenues for the water utility collected during the fiscal year 1979 and the City's witness, Steve Quail, stated that they had not been normalized or verified as being normal.

13. In a March 30, 1981 submittal to this Commission, the Applicant indicated that the average annual revenue collected per meter size should total \$229,992.72 on consumption of 47,679,000 cubic feet, during the test year. The Commission is of the opinion that \$229,992.72 more nearly reflects the water utility's normalized revenue level and finds that it should be utilized for purposes of determining the Applicant's revenue deficiency.

14. Based on Findings of Fact 11 and 13, the Commission finds that the Applicant is experiencing a revenue deficiency in the amount of \$133,688 annually.

15. The City has proposed that they be allowed to implement a \$4.60 per month minimum charge to cover the cost of meter reading, accounting, administration and collection. The City's cost of service study indicates that this monthly charge will result in the City recovering the cost of customer related expenses and is, therefore, accepted by the Commission.

16. The Applicant's submission indicates that at the present time, the City has 2,000 metered services and that it intends to meter 29 public connections resulting in total connections

to the system of 2,029.

17. The Applicant's proposed minimum charge will generate annual revenues of \$112,001 ( $\$4.60 \times 12 \times 2,029 = \$112,001$ ).

18. The City has also proposed the implementation of a \$7.30 per month charge per fire hydrant to cover the cost of providing fire protection. The City's cost of service study indicates that this monthly charge will generate sufficient revenues to cover the cost of providing fire protection and is, therefore accepted by the Commission. The proposed hydrant charge will generate annual revenues of \$21,030 ( $\$7.30 \times 12 \times 240 = \$21,030$ ).

19. The Applicant, in its filing, has indicated that total consumption for the present 2,000 connections is 47,679,000 cubic feet annually. It has also represented in the filing that the consumption for the 29 public connections will be 8,981,000 cubic feet annually, this results in total annual water consumption of 56,660,000 cubic feet annually.

20. The Applicant has proposed that it be allowed to implement a single volumetric rate for all water consumed, eliminating the present declining block rate structure. The Commission accepts the Applicant's proposed rate structure as it promotes efficient resource management and will fairly reflect the cost of providing service.

21. Based upon Findings of Fact 19 and 20, the Commission finds that the Applicant should implement a unit charge for water service of 414 per 100 cubic feet. Calculated as follows:

Total Revenue Requirement	\$363,680
Less:	
Revenue from Minimum Charge	112,001
Revenue from Hydrant Fee	<u>21,030</u>
Revenue to be generated from Unit Charge	\$230,649
Divided by 566,600 hundred cubic feet	\$.40707

22. At the present time, the sewer rate is based upon a percentage of the water revenue; therefore, the City will modify the sewer rate to insure that no increase in sewer charges results from this water rate increase.

#### CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding.
2. All interested persons were given proper notice and an opportunity to participate in this proceeding.
3. The rates authorized herein are reasonable and just.

#### ORDER

NOW THEREFORE, at a session of the Public Service Commission, Department of Public Service Regulation of the State of Montana, held in its offices at 1227 11th Avenue, Helena, Montana on the 12th day of July, 1982, there being present a quorum of Commissioners, there came regularly before the Commission for final action the matters and things in Docket No. 81.2.6, and the Commission being fully advised in the premises,

IT IS ORDERED by the Commission that the City of Glendive shall file tariffs consistent with the Findings of Fact herein.

IT IS FURTHER ORDERED that the City of Glendive shall file revised tariff schedules for its sewer utility so that no increase in revenue is realized by that utility.

IT IS FURTHER ORDERED that a full, true and correct copy of this Order be sent forthwith by first class United States mail to the Applicant and all other appearances herein.

THE FOREGOING ORDER was adopted by the Department of Public Service Regulation of the State of Montana, Public Service Commission, IN OPEN SESSION at Helena, Montana on this 12th day of July, 1982, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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GORDON E. BOLLINGER, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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CLYDE JARVIS, Commissioner

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THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Madeline L. Cottrill  
Secretary  
(SEAL)

NOTE:        You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from tile service of this order.

If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806, ARM.